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Government
Publications

FINAL REPORT
OF THE SELECT COMMITTEE OF
THE ONTARIO LEGISLATURE
ON
INCO AND FALCONBRIDGE
LAYOFFS

2 [Legislative Assembly]
3 [Misc. Publications]

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Members of Committee and Staff

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MEMBERS OF THE SELECT COMMITTEE ON THE INCO AND FALCONBRIDGE LAYOFFS

SIDNEY B. HANDLEMAN, M.P.P., Chairman
 GORDON WALKER, M.P.P., Vice-Chairman
 MICHAEL BOLAN, Q.C., M.P.P.
 SEAN CONWAY, M.P.P.
 ROBERT ELGIE, M.D., M.P.P.
 RAY HAGGERTY, M.P.P.
 MICKEY HENNESSEY, M.P.P.
 R. DOUGLAS KENNEDY, M.P.P.
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 ALAN POPE, M.P.P.
 JOHN SWEENEY, M.P.P.
 BUD WILDMAN, M.P.P.
 HON. DOUGLAS WISEMAN, M.P.P.

Carleton
 London South
 Nipissing
 Renfrew North
 York East
 Erie
 Fort William
 Mississauga South
 Algoma-Manitoulin
 Nickel Belt
 Hamilton-East
 Sudbury East
 Armourdale
 Quinte
 Cochrane South
 Kitchener-Wilmot
 Algoma
 Lanark

John T. Clement, Q.C.
 Peter C. Williams
 Geddes M. Webster, B.Sc., B.Eng., P.Eng.
 John Holtby

Counsel to the Committee
 Counsel to the Committee
 Mining Consultant to the
 Committee
 Clerk to the Committee

TERMS OF REFERENCE

NOVEMBER 10, 1977

On motion by Mr. Webb, seconded by Mr. Miller (Muskoka),

Ordered, That a Select Committee of this House be appointed to inquire of senior officials of Inco Ltd. and its employees or their representatives, into the factors and considerations leading to the decision to announce layoffs at the Sudbury and Port Colborne Inco operations; and further to examine the future plans of the company in relationship to the effect on the Canadian operations;

And that the committee report back to the House at its earliest opportunity, but no later than one month from the date of the first hearing, making appropriate recommendations;

And that the committee have power to send for persons, papers and things, as provided in Section 35 of the Legislative Assembly Act, and power to retain counsel;

And that the proceedings of the committee be recorded and transcribed selectively, as determined by the committee with its counsel;

And that the committee be composed of 18 members as follows: Handleman (Chairman), Bolan, Hennessy, Elgie, Germa, Haggerty, Kennedy, Lane, Laughren, Mackenzie, Martel, McCaffrey, O'Neil, Peterson, Pope, Reed, (Halton-Burlington), Taylor (Simcoe Centre) and Walker.

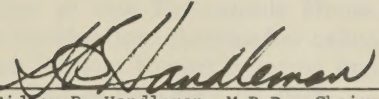
DECEMBER 13, 1977

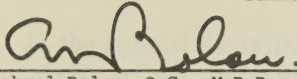
Mr. Handleman from the Select Committee on Inco Layoffs presented the Committee's Report which was read as follows and adopted:—

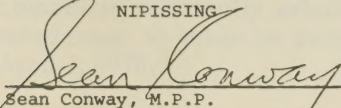
Your Committee recommends that its terms of reference be amended as follows:—

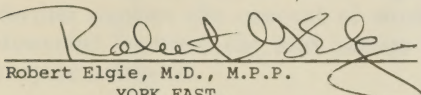
That the Committee shall be empowered to inquire similarly into the layoffs announced by Falconbridge Nickel Ltd. on December 8, 1977.

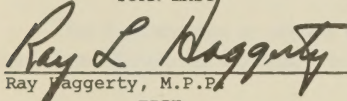
Your Committee further recommends that its time for reporting be extended to not later than two months from the date of its first hearing; and if the Assembly is not in session, that it file its report with the Clerk of the Legislative Assembly and it be empowered to release its report at that time.

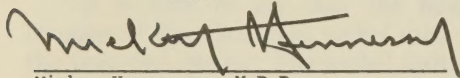

 Sidney B. Handleman, M.P.P., Chairman

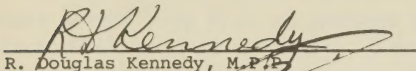

 Michael Bolan, Q.C., M.P.P.
 NIPISSING

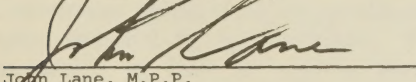

 Sean Conway, M.P.P.
 RENFREW NORTH

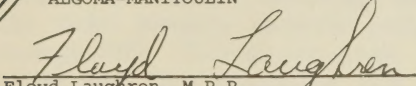

 Robert Elgie, M.D., M.P.P.
 YORK EAST

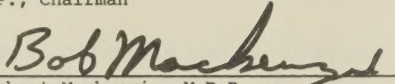

 Ray Haggerty, M.P.P.
 ERIE


 Mickey Hennessey, M.P.P.
 FORT WILLIAM

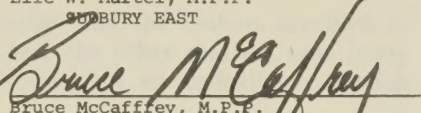

 R. Douglas Kennedy, M.P.P.
 MISSISSAUGA SOUTH

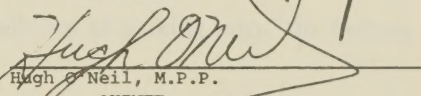

 John Lane, M.P.P.
 ALGOMA-MANITOULIN

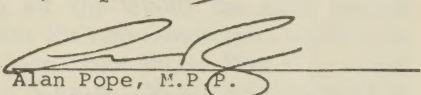

 Floyd Laughren, M.P.P.
 NICKEL BELT

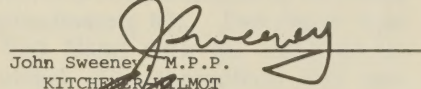

 Robert Mackenzie, M.P.P.
 HAMILTON-EAST

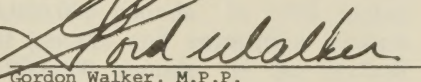

 Elie W. Martel, M.P.P.
 STURGEY EAST

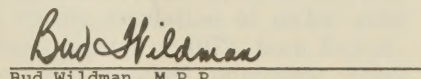

 Bruce McCaffrey, M.P.P.
 ARMOURDALE


 Hugh O'Neill, M.P.P.
 QUINTE


 Alan Pope, M.P.P.
 COCHRANE SOUTH



 John Sweeney, M.P.P.
 KITCHENER-WILMOT


 Gordon Walker, M.P.P.
 LONDON SOUTH


 Bud Wildman, M.P.P.
 ALGOMA

On January 21, 1978, Mr. Wiseman
 was sworn as a Member of the Executive Counsel

Hon. Douglas Wiseman, M.P.P.
 LANARK



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TO: HON. JOHN E. STOKES, M.P.P.

Speaker of the Legislative Assembly of Ontario.

The Select Committee of this Honourable House, looking into the Inco layoffs and Falconbridge terminations (hereinafter called "layoffs"), on February 8, 1978, filed with you an Interim Report referring mainly to the pending Inco layoffs which were to be effective February 13, 1978.

In the light of the responses of the Government of Canada and the Province of Ontario to the recommendations in the said Interim Report, the Select Committee reluctantly acknowledges that it has no additional specific recommendations to make to avert the pending Falconbridge layoffs scheduled for April 1, 1978.

The Committee, however, urges Falconbridge and the Unions involved to further explore the concept of work-sharing and the other matters now being discussed between the said parties with the hope that an amicable resolution may be achieved.

The Committee is seized with the responsibility of looking into "the factors and considerations leading" to the layoffs.

It is trite to say that the basic reason for the layoffs has been caused because of the decreased nickel sales throughout the non-Communist world over the past two years. The nickel industry has been, since World War II, cyclical in nature, with major peaks arising each 4 or 5 years. Nickel sales peaked in 1953, 1957, 1961, 1966, 1970 and 1974. Nickel consumption has gradually increased since World War II at an average rate of approximately 6%. Two major wars since 1945 have been fought (Korean and Viet Nam) with the resultant increased consumption of nickel. In 1974, nickel sales throughout the non-Communist world were approximately 1,280,000,000 pounds. In 1975, nickel sales declined to approximately 970,000,000 pounds and enjoyed a modest escalation in 1976 to approximately 1,100,000,000 pounds. If the cyclical pattern was followed, one would anticipate a good sales year in 1978 or 1979. The nickel industry, however, anticipated a steady escalation of nickel sales through 1977. This did not occur. By the third quarter of 1977, both Falconbridge and Inco recognized that inventories had reached untenable levels because of continued high levels of production and reduced anticipated sales. Subsequently, decisions were made to effect layoffs and job terminations in each company.

FACTORS AND CONSIDERATIONS LEADING TO THE LAYOFFS

1. Consumer demand throughout the world deteriorated for a number of reasons. Nickel consumers are turning to alternative products to replace nickel. The nickel consumers are purchasing a lower grade of nickel. Capital spending throughout the non-Communist world has not achieved the levels forecast for most of the economic exports, especially in the stainless steel industry. There are more nickel producers in the world today than ever before.

As nickel inventories accumulated, purchaser demands declined. Nickel users have opted to have excess inventories stockpiled by the producers rather than in the hands of the users.

Nickel users are also turning to recovering nickel from steel scrap resulting in a higher demand for scrap and a resultant reduced demand for nickel from nickel producers.

2. The increase in competition is mainly based on the production and marketing of laterite type nickel. Both Inco and Falconbridge are involved in laterite type nickel production throughout the world, Inco in Indonesia and in Guatemala, and Falconbridge in the Dominion Republic and in Africa. The Committee notes that while the Inco developments in Indonesia and Guatemala have not yet come "on stream" and accordingly has had no direct effect on the Sudbury and Port Colborne layoffs, the Committee foresees that the coming "on stream" of both of these Inco offshore operations in 1978 and 1979 will have a definite adverse effect on the duration of the Sudbury and Port Colborne layoffs.

3. Both Inco and Falconbridge along with all of the world's other nickel producers have been the victims of inaccurate market forecasting, particularly relating to the anticipated 1977 sales. Market forecasting is not an exact science and the forecaster relies on a multitude of source information. Customer demands are scrutinized and the studies of economists and specialists in the metals markets are considered. The economies of customer countries are analyzed and weighed and from all of this and other data, the forecasts are developed. The 1977 forecast of purchaser requirements was not realized. It is interesting to note that the Mineral Research Branch of the Ontario Ministry of Natural Resources in February, 1977, filed with the Provincial Cabinet a document entitled "The Ontario Metal Mining Industry—Present and Future".

In its reference to nickel (page 19), the document went on to state:

"The Ontario nickel industry is the world's largest nickel production Complex and Ontario's largest mineral producer. It is suffering from a massive accumulation of inventory of finished metal as a result of the recent recession and of lower than anticipated rates of growth of consumption in major markets. Unless the markets improved rapidly in the near future, *it is difficult to see how cuts in Sudbury mine output can be avoided*". (italics added)

This document was released to the public by the Ontario Cabinet but apparently little or no weight was attached to this forecast by anyone.

Both Inco and Falconbridge continued hiring in early 1977 although terminations through attrition exceeded those hired in that year.

4. In the late 1960's and again in the early 1970's, Inco applied to the Province of Ontario under The Mining Act for certain exemptions to permit Inco to export matte to Japan. In order to sell to the Japanese markets, Inco required such exemption permits and same would be necessary over a period of several years to permit continuous supply to the Japanese markets. If such permits were granted, the labour content of each pound so exported would be less than that contained in finished nickel. The Province of Ontario refused to grant these exemption permits, presumably because of the reduced labour content. It should be noted that the potential Japanese sales at these times was somewhat minimal in relation to the world demand for nickel.

Had the permits been issued, the over-all impact on the nickel industry today would have been minimal but may have reduced the layoffs to some slight degree.

The Committee is not critical of the Province's decisions to refuse the exemption permits in 1969 and 1973.

5. The Committee notes that the production of nickel in Ontario by Inco and Falconbridge are efficient operations. The Committee further notes that substantial funds have been expended in production research activities.

The Committee is of the opinion that both Inco and Falconbridge should consider expanding their consumer product research programs with the view of eventually increasing the demand for nickel.

The Committee is of the opinion that had increased programs of consumer product research been in place for a number of years, the use of nickel might well have been substantially increased at the present time.

6. The reduced demand for nickel has had a substantial serious impact on the cash flows of both Inco and Falconbridge, resulting in the increase of debt and dividend cuts. The reduced cash flow has forced both of these companies to obtain additional financing. The continuing build-up of excess production has had to be discontinued and the labour layoffs are a direct result of same. Both companies foresee substantial savings not only in labour costs but in the resulting decreased use of energy, machinery, inventory build-up, etc.

7. The Collective Agreements in force at both Inco and Falconbridge expire in 1978. The Committee is of the opinion that it is traditional in nearly all manufacturing and processing undertakings to acquire some surplus products in a negotiating year. The Committee observes that some, but certainly not all, of the present excessive nickel stockpiles is likely attributable to this circumstance.

* * * * *

THE FUTURE PLANS OF INCO AND FALCONBRIDGE IN RELATIONSHIP TO THE EFFECT ON THE CANADIAN OPERATIONS

The Select Committee heard evidence of representatives of both Inco and Falconbridge as to the future plans of each of these companies in relationship to the effect on their Canadian operations.

In the brief submitted by Inco, that company stated its position that there is no question of its "strong and fundamental commitment—past, present and future—to the communities in which its operates and to orderly resource development in Ontario and Canada". The company said that this commitment is evidenced by its investment of more than \$1,000,000,000 used to expand and to modernize its Canadian operations in the late 1960's and early 1970's, which has allowed it to remain among the world's leaders in nickel mining and processing technology. It cites, too, as evidence of this commitment its high proportion of total exploration expenditures in Canada.

It said further that "in the current situation, mines in which production will be suspended in 1978 are being maintained on standby, at a substantial cost, so they readily may be brought back into production when conditions so warrant".

Inco also pointed out that in Sudbury, it has "the largest nickel-producing complex in the world", and that, "the huge in-place investment there totals some \$2,000,000,000 with a replacement cost of over \$4,000,000,000".

The company went on to state that, "our very large force of trained and highly skilled people in Canada undoubtedly constitutes our most important asset in the near and longer term", and that, "it would be ludicrous to walk away from this investment in people, technology, plant and infrastructure". It also states that, "in the foreseeable future, our most efficient mining and processing operations will be those in the Sudbury District".

Evidence was given to the Committee dealing with the production of nickel from deep sea nodules and the production of laterite ores in Guatemala and Indonesia. Inco stated that, "neither lateritic ores nor, much further in the future, ocean mining, are going to take away that" (the United States) "market or other international markets—provided Inco, Ontario and Canada continue to be competitive and to be regarded as reliable suppliers". The Committee notes the statement of the company that it expects, "to be producing nickel from Sudbury ores into the next century" and that it sees no good reason why these ore-bodies should cease to be competitive.

In the brief submitted by Falconbridge, that company noted that it has, "continued to invest heavily in mines and plants as in the cases of Lockerby Mine, \$62,000,000, the Smelter Environmental Improvement Project, \$85,000,000, and we are continuing, although at a reduced pace, to develop the Fraser Mine".

The Company also stated in its brief to this Committee that "It is our intention to remain a significant force in the future of the area", and that it will do its best "to hasten the return to higher production and employment at our Sudbury Operations".

A Falconbridge official gave evidence that the company intends to be operative in the Sudbury Basin as long as the ore body is there. The company sees a long life for the operation and does not have, nor has it ever had, an intention of moving from Sudbury.

The Committee has made certain long-range recommendations later on in this report referring to off-shore operations and sea-bed mining.

LONG-RANGE RECOMMENDATIONS

{ Sudbury is regarded as a "one-industry community". When layoffs of the magnitude of those the Committee has been examining are announced in this type of community, the negative economic and social impact is tremendous.

(1) DIVERSIFICATION

Diversification is a strategy which has been called for over the years in the Sudbury area, but there has been little success to date in this regard. Numerous studies and groups examining this situation in the past have recognized a variety of problems relating to one-industry communities in Northern Ontario.

The Committee likewise recognizes that industrial diversification would assist in lessening the dependency of a community on one industry.

Certain areas which might well be examined and encouraged in the immediate future include:

- (a) a mining equipment manufacturing industry in the Sudbury area—
While acknowledging that the Sudbury area is primarily involved in the production of nickel and copper, the Committee notes that most of the heavy equipment used in the mining industry throughout Ontario is manufactured outside of Canada. Within a relatively few miles of the Sudbury area, uranium, gold, silver and other precious metals are mined throughout the year.
- (b) the possibility of deep-sea harbour development at Fisher Harbour—
The Committee feels that access to shipping facilities would be a very positive inducement to attracting industries to the Sudbury area.
- (c) an expanded mining research and development program at Laurentian University.
- (d) the location of an automobile parts plant in the Sudbury area, i.e., one of the 3 presently being discussed by the industry and the Government of Canada. The Province of Ontario should be encouraged to enter these discussions immediately.
- (e) the location of the proposed Eldorado Uranium Refining facility in the Sudbury area.
- (f) tax incentives, e.g., preferred zones.

The Committee further notes that the problem of high railroad freight rates applicable in the Sudbury area may well be one of the factors inhibiting industrial expansion, and urges the two senior levels of government to resolve this problem.

Recommendation

The Select Committee urges all levels of government to investigate and develop a program of industrial diversification in the Sudbury area.

(2) ALTERNATIVE EMPLOYMENT OPPORTUNITIES

The Committee notes that certain employment opportunities exist in the Elliot Lake area in the uranium industry. The Committee further notes the distances involved almost preclude daily commuting between Sudbury and Elliot Lake. The Committee further notes the shortage of housing for workers presently existing in the Elliot Lake area.

(a) *Recommendation*

In order that workers may conveniently accept alternative employment at Elliot Lake, there is an immediate and urgent need for the improvement of transportation facilities between Sudbury and Elliot Lake. In addition to highway facilities, the Governments of Ontario and Canada should be considering other modes of rapid commuter transportation.

* * * * *

The current layoffs in the Sudbury and Port Colborne areas will mean that summer employment will be considerably reduced in 1978.

(b) *Recommendation*

The Committee recommends that both the Governments of Ontario and Canada should forthwith give priority in its summer employment programs for young people in those communities in which the unemployment rates will be increased because of the mass layoffs.

* * * * *

The Committee notes the decisions of the Government of Canada to establish the Taxation Data Centre in Sudbury which will provide approximately 850 permanent jobs and some 1,800 seasonal and casual positions. There are other aspects of the Burwash facility which will not be required by the Federal Government.

(c) *Recommendation*

The Committee urges the Province of Ontario to come to an early decision as to the multi-use of the remaining unused facilities at Burwash.

* * * * *

(3) MINISTRY OF NATURAL RESOURCES

The Committee notes the responsibilities of the Ministry of Natural Resources and its long-time involvement in the resource industry. The Committee is of the opinion that the Ministry of Natural Resources might better serve its client groups if physically located closer to the resource industries in Northern Ontario.

Recommendation

That the Province of Ontario seriously consider the advisability and possibility of locating the Ministry of Natural Resources in Northern Ontario.

* * * * *

(4) RESEARCH AND DEVELOPMENT

The Committee heard evidence from both Inco and Falconbridge representatives as to the location of and purpose of research or development facilities in places other than in the Sudbury area. The Committee notes the evidence of some of those officials who advise that research personnel, in order to be recruited, wanted to live in areas where other types of research activities were being conducted and other reasons for the location other than in the Sudbury area. The Committee challenges the assumption on which these decisions were originally made as to the location of research and marketing facilities.

Recommendation

The Committee urges the senior levels of government, Inco and Falconbridge, to ascertain if such assumptions as to research facilities are, in fact, still valid today or whether those assumptions should be modified or changed with a view to locating such facilities in the Sudbury area.

* * * * *

(5) TAX LEGISLATION

The Committee heard evidence as to the tax burdens presently being borne by the mining industry. The Government of Canada, under its income tax laws, does not permit the deduction of mining taxes paid to the Province of Ontario. Various changes at both the provincial and federal levels within the last few years have created a feeling of uncertainty of the mining operators and of the investing public regarding the future of the Canadian mining industry. The Committee notes from the evidence that neither Inco nor Falconbridge has earned profits which attract the maximum marginal income tax rate of 75%.

Recommendation

That the provincial and federal taxing statutes be reviewed with a view to implementing equitable and long-term tax systems affecting the Canadian mining industry.

* * * * *

(6) MARKETING OF NICKEL

For many years, Canada was almost the sole supplier of nickel to the world markets. Inco was and still remains the largest producer of nickel in the world. Competition has now developed to a point where some 20 major nickel producers exist and compete with Inco and Falconbridge around the entire globe, thus dramatically changing the Canadian nickel situation in the world scene. The Federal Department of Industry Trade and Commerce and the Provincial Ministry of Industry and Tourism have representatives in various locations throughout the free world promoting Canadian products, and could provide an on-site point from which the promotion of sales of Canadian nickel could originate.

Recommendation

That the Province of Ontario and the Government of Canada in consultation with the industry seriously consider the possibility of facilitating the marketing of nickel throughout the free world.

* * * * *

(7) OFF-SHORE INVESTMENTS

The Export Development Corporation, a federal Crown company, was created to promote the sale of Canadian goods and technology outside of Canada. When Inco embarked on its development in Guatemala, some \$20,000,000 was loaned to Inco by EDC and an additional \$60,000,000 was loaned with reference to Indonesia. Inco, in turn, utilized these funds for the purchase of Canadian materials, equipment and technology, thus creating some 4,000 man-years of work for these projects by some 489 Canadian suppliers, 300 of which were located in Ontario. While such funding had a positive effect at the time, the Committee seriously questions the long-term effect on the Canadian labour force.

Recommendation

That the Government of Canada not encourage off-shore development which is not in the long-term in the best interests of Canadian workers.

* * * * *

(8) SEA-BED MINING

The Committee heard evidence from both Inco and Falconbridge as to deep-sea mining. At the present time, Inco is involved with others in some exploratory projects which could be brought into being in the late 1980's. If nickel is mined economically from the sea floor, it undoubtedly will have a negative effect on the nickel mining industry as it exists in Canada today. Falconbridge is not involved in any such activities.

Recommendation

That the Government of Canada closely monitor the development of sea-bed mining so that it does not work against the Canadian economy.

* * * * *

(9) FISCAL ASPECTS

When layoffs of the magnitude of those presently imposed on the Sudbury and Port Colborne communities are carried out, it is almost impossible to ascertain the economic impact of same. The Committee recognizes that for each mining worker so affected, people in secondary industries subsequently are also affected. The cost in terms of welfare, unemployment insurance and other social programs is impossible to quantify except by way of an exercise in conjecture. The present situation, particularly in the Sudbury area, will make available through its experience many of these factors which can be used as a measuring stick by various levels of government should a similar situation occur in the future.

Recommendation

That the Government of Canada, the Province of Ontario and the Region of Sudbury, should monitor and measure as closely as possible all of the costs so that this financial data is known and available for future experience.

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(10) ACTION BY SENIOR GOVERNMENT LEVELS

Under the existing Labour Standards Act, layoffs of the magnitude of those affecting Inco and Falconbridge workers require 16 weeks' notice to each affected worker, and in the case of both companies, the 16-week notices were issued. On September 8, 1977, Inco decided to terminate its electronic production in Port Colborne, Ontario and accordingly, terminated the employment of some 425 individuals. On October 20, 1977, Inco announced layoffs in the Sudbury area affecting, at that time, some 1,825 workers and Falconbridge subsequently notified some 750 workers of job termination on December 8, 1977. The Order of the Ontario Legislature creating the Select Committee was made on November 10th, 1977 originally to inquire into the Inco layoffs only. This Order was subsequently amended to include Falconbridge on December 13th, 1977. At the request of both Inco officials and officials of the United Steelworkers of America, the Select Committee could not begin its hearings until certain discussions had taken place between Inco and the United Steelworkers of America, and accordingly, the first hearing was not conducted until December 20, 1977. Subsequent hearings were conducted on January 4, 1978 and thereafter, up to and including January 25, 1978. Both Inco and Falconbridge were unable to advise government leaders of their decisions as to the layoffs prior to the above dates because of certain "non-disclosure legislation" presently in effect under The Ontario Securities Act and, in effect, under the relevant legislation in force by the Securities and Exchange Commission in the United States and in other jurisdictions. This legislation is in place to protect the shareholders of all public corporations so that business decisions affecting the future of a company are in essence made public at the same time so that each investor has an opportunity of assessing the weight of that decision without fear of others having prior notification of same. The Select Committee, in a short period of time, had to acquaint itself with much statistical data and historic information relating to Falconbridge and Inco. It was under a mandate to make recommendations which hopefully might alleviate the impact of these large layoffs in a one-industry community. The time constraints were such that the Committee was compelled to issue an Interim Report on February 8th, 1978 on the basis of a 7-week study into the existing problems. The Committee had to acquaint itself with various government programs available for affected individuals through the mouths of witnesses who were familiar with and, in fact, carry out those programs. If the two senior levels of government had in place an industrial emergency team, perhaps those discussions and considerations which followed the Committee's Interim Report which were weighed by the two senior levels of government on February 9th, 1978 and February 10th, 1978, might well have been available for consideration earlier on during the 16-week period.

Recommendation

That the Government of Ontario and the Government of Canada each or jointly create a team of government personnel who can readily delve into, weigh and recommend rational programs for the alleviation of large industrial layoffs where the situation so requires.

* * * * *

(11) THE MINING ACT

Under The Ontario Mining Act, all ores must be treated and refined in Canada unless an exemption permit is granted by the Lieutenant Governor in

Council for such period of time as seems proper. In 1969 and in 1973, Inco was refused such exemption permits in order to export matte to Japan. Falconbridge has exported unrefined ores under such permits to its refinery in Norway for many years. When considering an application for an exemption permit, presumably the Lieutenant Governor weighs all considerations at the time and makes the necessary decision. Recognizing that in terms of supplying additional jobs in specific instances, it well might be in the interests of Ontario to refuse such exemptions while in other instances the net effect on unemployment may be greater by granting the requested exemption.

Recommendation

That each exemption application be judged on its merits and the consequences of the effect of same on employment continue to be a very important consideration.

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OBSERVATIONS

While the Committee is obliged to make such recommendations as it sees fit, the Committee takes this opportunity to add some observations after hearing some 58 witnesses and reading hundreds of pages of documents and exhibits:

- (a) While Inco has referred to its decision of October 20th, 1977 as "layoffs", the Committee is of the view that the duration of same will, in effect, amount to termination of employment. Existing nickel inventories are such that the Committee cannot foresee the exhaustion of same in less than one year. The continued production, even though being reduced by the layoffs, will add to the existing nickel inventories. If declining sales continue, the available supply may well extend into 1980.
- (b) The Committee heard a vast amount of evidence as to the gathering of facts on which nickel sales forecasts are made. Each nickel producer has its own method of gathering such data from which conclusions are drawn. There exists in many other areas of the metal industry, industry-supported institutes which act as a focal point for the gathering of and dissemination of information pertaining to the metal involved. The Committee notes the absence of a nickel institute and is of the opinion that same would serve as a focal point for the gathering of relevant information available to the nickel industry as a whole. It should be industry-owned and operated and membership should be available to all nickel producers throughout the world.
- (c) It is hoped that in the future, should temporary shutdowns be necessary, that both Inco and Falconbridge implement such programs during the summer months rather than at other periods during the year if feasible.
- (d) This Committee was called upon to act within a very specific time frame to look into the layoffs and make recommendations concerning

same. While it was not expressly mandated to alleviate the layoffs, the Committee felt it should so act if a possibility existed to reduce the impact of same. It was for this reason that the Interim Report of the Committee was issued on February 8th, 1978 in an effort to "buy time" for a 60-day period beyond February 13th, 1978. It was the Committee's hope that the two senior levels of government and the industries and unions involved would jointly, during the said 60-day period, develop a program to alleviate the tremendous negative financial impact to the Sudbury area. It was the impression of the Committee (in the absence of available financial data) that the total costs to the two senior levels of government of assisting in the funding of the 60-day moratorium would be substantially less than that which must be borne by the two said levels of government under programs providing for unemployment insurance benefits, welfare and other social expenditures.

SUMMARY OF RECOMMENDATIONS

(1) The Select Committee urges all levels of government to investigate and develop a program of industrial diversification in the Sudbury area.

(2) (a) In order that workers may conveniently accept alternative employment at Elliot Lake, there is an immediate and urgent need for the improvement of transportation facilities between Sudbury and Elliot Lake. In addition to highway facilities, the Governments of Ontario and Canada should be considering other modes of rapid commuter transportation.

(2) (b) The Committee recommends that both the Governments of Ontario and Canada should forthwith give priority in its summer employment programs for young people in those communities in which the unemployment rates will be increased because of the mass layoffs.

(2) (c) The Committee urges the Province of Ontario to come to an early decision as to the multi-use of the remaining unused facilities at Burwash.

(3) That the Province of Ontario seriously consider the advisability and possibility of locating the Ministry of Natural Resources in Northern Ontario.

(4) The Committee urges the senior levels of government, Inco and Falconbridge, to ascertain if such assumptions as to research facilities are, in fact, still valid today or whether those assumptions should be modified or changed with a view to locating such facilities in the Sudbury area.

(5) That the provincial and federal taxing statutes be reviewed with a view to implementing equitable and long-term tax systems affecting the Canadian mining industry.

(6) That the Province of Ontario and the Government of Canada in consultation with the industry seriously consider the possibility of facilitating the marketing of nickel throughout the free world.

(7) That the Government of Canada not encourage off-shore development which is not in the long-term in the best interests of Canadian workers.

(8) That the Government of Canada closely monitor the development of sea-bed mining so that it does not work against the Canadian economy.

(9) That the Government of Canada, the Province of Ontario and the Region of Sudbury, should monitor and measure as closely as possible all of the costs of these layoffs so that this financial data is known and available for future experience.

(10) That the Government of Ontario and the Government of Canada each or jointly create a team of government personnel who can readily delve into, weigh and recommend rational programs for the alleviation of large industrial layoffs where the situation so requires.

(11) That each exemption application (Ontario Mining Act, sec. 113) be judged on its merits and the consequences of the effect of same on employment continue to be a very important consideration.

LIST OF SWORN WITNESSES

Mr. C. F. Baird—President, Inco Ltd.

Mr. H. T. Berry—Vice-President, Research, Falconbridge Co.

Mr. G. R. Buckland—Manager, Employee and Community Relations, Falconbridge Co.

Mr. F. C. Burnet—Vice-President, Employee Relations, Inco Ltd.

Mr. J. Carter—Chairman and Chief Executive Officer, Inco Ltd.

Mr. S. Cooke—Director, District 6, United Steelworkers of America

Mr. M. A. Cooper—President and Managing Director, Falconbridge Co.

Mr. D. Craig—Taxation Manager, Inco Ltd.

Dr. W. Curlook—Senior Vice-President, Inco Metals Co.

Mr. J. Gignac—Mining and Smelting Workers Union, Local 598, Sudbury

Mr. G. H. Gilchrist—Area Supervisor, United Steelworkers of America, Sudbury

Mr. S. R. Guillet—Staff Representative of United Steelworkers of America

Mr. J. E. Finlay—Vice-President, Canadian Nickel Division, Falconbridge Co.

Mr. M. Keck—District Representative, United Steelworkers of America

Mr. J. D. Krane—Vice-President, Corporate Affairs, Falconbridge Co.

Mr. Raymond Joseph Moreau—President, Local 6200, Port Colborne

Mr. J. McCreedy—President, Inco Metals Ltd.

Mr. I. McDougal—Senior Vice-President, Inco Ltd.

Mr. D. Patterson—President, Local 6500, Sudbury

Mr. M. O. Pearce—President, Falconbridge Canada Ltd.

Mr. D. H. Taylor—Research Representative, United Steelworkers of America

Mr. R. R. Taylor—President, Sudbury Division, Inco Metals Co.
 Mr. R. S. Thompson—President, Local 6855 (Falconbridge Co.)
 Mr. P. Salathiel—Director of Market Research, Inco Ltd.
 Mr. A. G. Slade—Vice-President, Canadian Nickel Division, Falconbridge Co.

Mr. A. J. R. Smith—Vice-President, Inco Ltd.
 Mr. G. M. Webster—Mining Analyst for Committee
 Mr. M. F. Mackey—Business Agent, Vice-President, Mine, Mill and Smelter
 Mr. E. E. Prudhomme—Vice-President, Mine, Mill
 Mr. J. B. Tester—Consultant, Mine, Mill
 Mr. C. Dow—Consultant, Mine, Mill
 Mr. J. B. Channon—Financial Secretary, Mine, Mill
 Mr. J. J. McDonald—Conductor, Mine, Mill
 Mr. D. C. Frith—Chairman of the Regional Municipality of Sudbury
 Mr. L. W. F. Rudd—Falconbridge Co. Worker
 Mr. W. F. Peel—Labour Relations Consultant, Job Security Services
 Mr. James K. Gordon—Mayor of Sudbury

LOCAL 6500, UNITED STEELWORKERS OF AMERICA

Mr. D. Patterson—President
 Mr. D. Barrett—Miner
 Mr. J. C. Dworski—Miner
 Mr. R. Fortin—Miner
 Mr. D. Brown—Smelter Worker
 Mr. V. Baumruk—Miner
 Mr. T. Taylor—Special Welder
 Mr. D. Kerr—Miner
 Mr. R. R. Bainbridge—Oxygen In-Plant Operator
 Mr. D. R. Campbell—Storeman at Inco
 Mr. R. J. Thompson—President, Local 6855, U.S. of America
 Mr. R. Guillet—Staff Representative, Local 6855
 Mr. E. J. McVey—President, Sudbury and District Labour Council, and Electrician at Inco
 Mr. J. Rodriguez—M.P., Nickel Belt (NDP)
 Mr. Peter A. Crossgrove—Sudbury Businessman
 Mr. J. D. Boyd—Executive Director, Ontario Regional Headquarters, Employment and Immigration Canada
 Dr. R. Taher—Chief South Region Employment and Immigration Canada
 Mr. W. J. Fox—Director, General Employment and Immigration Canada
 Mr. G. R. Hammond—Assistant Vice-President, Ontario Region, Export Development Corporation

Mr. G. A. Jewett—Executive Director, Division of Mines, Ministry of Natural Resources (Ontario)

Mr. T. P. Mohide—Director, Mineral Resources and the Mine Assessor of Ontario of the Ministry of Natural Resources (Ontario)

APPENDIX A

Additional Comments—Mr. Haggerty—

As a member of this Select Committee, I am submitting my personal views relating to the nickel industry's large inventory. Much of the difficulties now facing the industry can be related to world marketing problems.

However, I wish to submit my recommendations relating to another area which I feel is important. The Ontario resource based industry requires public scrutiny by both Federal and Provincial governments.

Resource based industries, particularly multi-national corporations, should provide advance reporting of acts of mergers or expansion in off-shore investment production. Such mergers or expansion should be examined to ensure they are in the best interest of Canada's domestic and export market, and employment opportunities in Canada.

Additional Comments—Mr. Handleman—

One of the most disturbing features of this review has been the assumption by some of the witnesses that companies such as Inco and Falconbridge have a responsibility to provide almost lifelong tenure to everyone whom they have ever employed. There seems to have been little regard for the responsibility of a corporation to ensure its own solvency.

While there can be no denying the economic and social costs involved in mass layoffs such as those which have been the subject of this study, the expectation that they can be offset simply by the expenditure of government and corporate funds is fallacious.

At one point during the hearings, an employee representative pleaded for government and management to devise a system of alleviating the effects of large scale layoffs. This is exactly why the Unemployment Insurance Program in this country was developed.

If employers are to be obligated in the future to maintain employment levels regardless of their own financial circumstances, surely they will try to limit the number of their employees in order to avoid the worst effects of such obligations. Any such situation would not be in the interest of workers generally in this country.

In the Interim Report, I expressed my regret that the Steelworkers adamantly opposed any work-sharing program. While I listened to their concern with some sympathy, I do not understand how, in an emergency such as this, the senior workers can feel that they owe nothing to their juniors. The Federal Government has recognized the validity of work-sharing under some circumstances and has adapted the Unemployment Insurance Program to

accommodate it. Temporary work-sharing programs for the entire work force would enable the companies to meet their objectives of reduced production while giving the parties concerned more time to work out permanent measures which might avoid or minimize the layoffs.

I would also like to applaud the efforts of the "Sudbury Committee", which appears to be approaching the problems involved in diversifying a one-industry community with the kind of caution and planning which is necessary. Simplistic demands for diversification are unrealistic without the kind of planning which is being done by the Sudbury Committee. I wish it and its successors well. Their activities will almost surely result in a much broader employment base for Sudbury and may also serve as a model for other one-industry communities in Ontario and in Canada generally.

Additional Comments—Mr. Kennedy—

Though I concur with the final report, I am unable to endorse the Interim Report tabled February 8, 1978.

Regarding the final report, recommendation number 7 is not intended to influence traditional Canadian aid to Third World countries.

With respect to the Interim Report, unfortunate though the layoffs are, I disagree with the recommendation of the Committee to stockpile.

Adding to the present stockpile would temporarily alleviate the layoffs but would in the long run compound the problem. Even though any such a stockpile was set aside from the marketplace for a number of years, its very presence would nevertheless influence the market.

In the long term, the Company, the union, and the Select Committee all agree on the need to balance production with demand.

It is not responsible to advocate the use of funds, either public or company, for further stockpiling.

If a work-sharing program could have been worked out by the union and the Companies as a temporary measure until the nickel market improves, this would have been very helpful. I note though that this has not been achieved. Attrition, relocations, early retirements, and finally, unemployment insurance, with special attention from Manpower appear to be the most realistic proposals to apply toward helping those affected by the layoffs. While these alternatives have looked after a significant number, I regret it has not been possible to make recommendations that would have saved all jobs or ensured other employment.

Manpower testimony indicates this agency is addressing itself with vigour to assist in obtaining other jobs for those in need of employment.

Additional Comments—Messrs. Laughren, Mackenzie, Martel and Wildman—

The New Democratic members of the Select Committee on Inco and Falconbridge endorse the final report of the Committee reluctantly and with explicit disagreement with some of the issues raised. We have come to this

position after serious thought, for we recognize the importance of trying to make Select Committees operate in the interest of the people of Ontario.

Yet while we agree with much of the final report, we cannot accept wholeheartedly a document which assigns little or no responsibility for the plight of the Sudbury workers to either the companies involved or to the Government of Ontario.

For this reason we have attached the following additional comments which amplify our position.

We concur with the Select Committee's decision to make no specific recommendations to avert the Falconbridge layoffs. The Federal and Provincial governments' total rejection of this Committee's recommendations concerning the Inco layoffs and their failure to offer any alternatives, indicates a hard position which accepts the layoffs as an accomplished fact.

In view of this attitude, it would be unfair for this Committee to raise the hopes of the employees by going through the charade of making recommendations regarding the Falconbridge layoffs.

However, we cannot accept the Committee's suggestion that Falconbridge and the unions involved continue to explore the concept of work sharing. The Falconbridge layoffs are in fact termination of employment. The long-term work sharing envisioned under such circumstances would be to the complete and absolute detriment of the employees in question and would put the solution to the problem of the backs of the workers while doing nothing to attack the basic problem in the Sudbury area.

We find much of the Committee's analysis of the factors and considerations leading to the layoffs inadequate. For the most part, the Committee saw Inco and Falconbridge as passive victims of circumstance and assigned no blame whatsoever to the Government of Ontario for its role in creating the conditions in which the Sudbury workers now find themselves.

We accept the fact that both Inco and Falconbridge have serious problems of excess inventories and both have production capacities considerably greater than their current sales or deliveries. We also accept the fact that the companies must rationalize and reduce production and consequently must reduce their work forces in the Sudbury basin.

However, while recognizing these facts, we perceive that the responsibility for any dislocation of the community falls squarely on the shoulders of both the company, whose current "problems" result from past investment decisions, and the government, whose historic inaction in the Sudbury area is clearly culpable.

Because we are not making specific recommendations regarding the Falconbridge layoffs, we have decided to limit the bulk of our analysis to an examination of Inco. However, much of what follows applies equally well to Falconbridge.

The Committee's analysis of the deteriorating world demand for nickel and the consumer shift to lower grades of nickel seems accurate enough.

However, Inco has not been a passive victim in responding to these changes. To protect itself against vagaries of the world nickel market, Inco made a concerted effort in the early 1970's to diversify its operations. However, instead of investing its Canadian earnings in Canada it began to purchase firms such as Daniel, Doncaster and Sons Ltd.—an English machinery firm, and ESB Inc., the giant American battery manufacturer. Inco invested \$241 million in EBS alone, but while this and other such purchases were good for Inco, they did nothing which would provide a single job in Ontario.

To protect itself against shifts in consumer demand to lower grade nickel Inco made massive investments, using Canadian earnings as equity, in lateritic nickel deposits in Guatemala and Indonesia. Again these investments help Inco, but do nothing to help the workers of Ontario or the Sudbury basin. In fact, these investments actually exacerbate the problems of Sudbury. Inco's attempts to reduce production and delivery of ore from the Sudbury basin must in part be blamed on the fact that the companies have or will have corresponding increases from these other sources. Moreover, company denials aside, there is little doubt that the agreements signed with third world nationals require Inco to ship a large portion of their productive capacity from the third world. Inco's attempts to deny reports that they considered Canada more politically tolerant to layoffs than their offshore operations are suspect in view of comments alleged to have been made by Mr. Carter to the Liberal Caucus. The fact that Inco cut back its Canadian operations, rather than those in the third world, despite the fact that it can produce nickel more cheaply in the Sudbury Basin, gives further credence to these reports.

We cannot accept the Committee's view that both Inco and Falconbridge were "victims of inaccurate market forecasting". The companies were not victims of forecasts—they made the forecasts. Inco admits that it built up an inventory based on the assumption that it would be moved—an assumption underlined by the past cyclical nature of the market and the profit derived from past nickel inventories. The records show obvious jumps and dips in both production and deliveries and indicate that a sizeable amount of inventory could be moved very quickly given a more favourable world market picture. Inco has profited in the past from sales of inventory, and was hoping to do so again.

With the delay in market recovery, Inco attempted to retrench by laying off employees in the Sudbury area. The argument made by Inco apologists on the Committee that the company showed its concern for workers by maintaining staff while the inventory built up simply does not ring true. Inco was hoping for, and anticipating an upturn in the market.

Moreover, the Committee acknowledges that at least a portion of the present stockpile was not accumulated by mistake, but rather was consciously accumulated by Inco as a hedge against possible contract disputes in the upcoming 1978 negotiations with United Steelworkers. This considerably undermines the credibility of the argument of Inco as a victim.

The Committee suggests that the layoffs may have been reduced to some slight degree if the government had granted Inco export permits under Section 113 of the Ontario Mining Act to ship nickel matte to Japan. It is impossible for us to believe that any reductions in the layoffs would have occurred. First

of all, the permits in question were requested prior to 1974—Inco's record profit year. The inventories did not begin to build up until 1975.

Furthermore, in 1975 the government granted Falconbridge export permits for the ensuing five years. This did nothing to reduce Falconbridge's layoffs in 1975, nor did it prevent the layoffs in 1978.

The Committee sees the layoffs at Inco and Falconbridge as direct results of cash flow problems for the two companies. Inco and Falconbridge both have cash problems, to be sure, but they are not the direct result of the slow down in nickel demand. In 1976 Inco Ltd. reported a net income of \$196,758,000. And in 1977, the year the company so complains about, Inco reported net earnings of approximately \$100 M. If you add to that Inco's depletion allowance, and deferred taxes, you get a total of \$176 million. If you include the preferred share issue of \$238 million, long-term borrowings of \$137 million, you get a total working capital figure of \$551 million in 1977. However, Inco is heavily in debt because of its borrowing for ESB Inc. and for its Indonesian and Guatemalan operations. And it is partly because of these debts that the company has had to cut back its Canadian workforce in the face of the poor nickel markets. The miners of Sudbury must suffer because Inco has over-extended itself in world money markets, borrowing for projects that created few jobs in Canada.

At the same time, Inco maintains a very healthy position in the world nickel community. Many of the new producers came on-stream because of the high profits in the industry and in anticipation of an increasing world demand. Some of the companies are heavily in debt due to high capital costs, and without firmer prices they will survive only with government assistance. Inco has acted to protect its market and to gain entry into the Japanese market by developing its overseas operation. Its partnership in Japanese refineries guarantees the purchases. The clear indications are that Inco will not only survive, but will continue to lead, whereas the future for the new companies is much less secure. Inco can better survive and possibly even profit from a period of lower prices than many of its competitors.

We would like to depart now from the Committee's report and discuss some areas that were overlooked in that report.

During the course of the hearings, Inco clearly demonstrated its lack of concern for the people of Ontario.

First, Inco spokesmen were less than forthright with the Committee on several occasions. They indicated that they had taken a serious look at the long-term implications of their cutbacks on the community. But a later document filed with the Committee by Inco dated February 7th, states as follows:

"As you will recall from earlier statements in Inco's submission to, and our subsequent responses under examination by, the Select Committee, decisions relating to the Sudbury curtailments were reached relatively quickly at the end of the third quarter of 1977, and while there were various general oral discussions within the Ontario Division and elsewhere in the Corporation regarding the community impact of proposed actions prior

to the announcement on October 20, no detailed analytical or quantitative studies were undertaken within Inco. However, subsequently, a brief note on some of these impacts was undertaken by Miss Dorothy Walters, Director of Economic Affairs, Inco Limited, and I attach a copy of a memorandum prepared by her dated December 6, 1977. May I emphasize that this was a quickly prepared note, and does not represent a study in detail and depth. You may also wish to focus attention to the high costs to the Company and to the continuing flows of income, tax revenues, etc., arising from the continued maintenance of production and employment from the first quarter of 1975 to the third quarter of 1977, while a deliberate policy of accumulating very large stocks of nickel was sustained."

Inco, by its own admission did not consult with the government in advance of its major layoffs. Inco's concern was to reduce the inventory and cut costs including wages in excess of \$45,000,000 a year. The fact that these moves would have a rippling effect involving the layoff of many additional workers in the other services and industry and would transfer a cost in the millions to the taxpayers was immaterial.

There were other examples of Inco's waffling as well. Representatives told the Committee that only 6 weeks were required to adequately train a miner. The Company, clearly on the defensive on this answer due to the subsequent testimony, moderated their position on this issue as well.

In the arguments over the length of the layoffs at Inco, the Company spokesmen repeatedly tried to make the case that the Sudbury layoffs were of a more temporary nature than the Port Colborne layoffs. It was not until the Committee heard from the UIC officials that we were told that there would be no recalls in 1978.

Another example was found in the Company brief which stressed the considerable cost of mothballing mines so that they would be ready for production as soon as the market improved. When the emphasis on the protection of the mines was compared to the treatment of the workers the Company began to downgrade the costs of such mine maintenance.

Clearly Inco was cutting the cloth to suit its own needs.

The Select Committee Report also ignored the role of the provincial government in creating the present conditions in the Sudbury Basin.

The Government of Ontario over the years has failed to develop any policy which will ensure that our natural resources provide the maximum possible benefits to the people of Ontario and has continued to grant concessions to process ores abroad, which, in fact reduces jobs to Canadians and it has failed to diversify the one-industry towns in Northern Ontario. There has been and continues to be a great deal of prattle about the need to diversify but despite many studies over the years no firm policy has been undertaken by the Government of Ontario on any of the recommendations which would, in fact, diversify the one-industry communities. We would like to offer a number of specific illustrations.

During the past year, the Sudbury and District Chamber of Commerce presented a document entitled, "A Profile in Failure". They were dealing with the Northeastern Ontario Regional Strategy (NORS), a document prepared by the Government of Ontario. In their overview of the report, the Chamber of Commerce makes the following comments:

"The NORS is devoid of any strategy of development—physical, economic or social. It represents the pinnacle of intellectual bankruptcy of the Southern Establishment in even analyzing the problems of the North, let alone dealing with them effectively.

The only way to deal with NORS is to let it terminate as an expensive receptacle of dust until it glides gracefully (or otherwise) into oblivion.

However, we have to give it a decent burial for the sake of propriety. Therefore, what follows is an eulogy enumerating the reasons why the NORS should be relegated to the realms of irrelevance.

The fundamental problem with NORS can be summed up as the troika of no's—no strategy, no analysis and no programs. Therefore, no use."

It is obvious that the Chamber of Commerce has concluded that the Northeastern Ontario Regional Strategy is an absolutely useless document and is indicative of what the Government of Ontario has done pertaining to northern development.

In September 1974, a Select Committee of the Ontario Legislature tabled a document entitled "Interim Report of the Select Committee on Economic and Cultural Nationalism—Natural Resources, Foreign Ownership and Economic Development", which was signed by members of all parties in this House. Some 23 major recommendations were made by this committee—one of them calling for public ownership of the Resource Industry. Again this government failed to act.

Had the recommendations of the report been carried out, it is unlikely we would have the current employment problem, and what is even more important, we may well have become masters in our own Province.

And only a year ago, the government missed yet another opportunity to alter the course of events in the Sudbury area. In February 1977 the Ministry of Natural Resources prepared a paper entitled "The Ontario Metal Mining Industry" which warned: "Unless the markets improved rapidly in the near future, it is difficult to see how cuts in Sudbury mine output can be avoided". Despite this warning the government did nothing to prepare for the disastrous events which have hit the Sudbury area. It did not even consult the industries involved. One can only assume that the real problem facing the Government of Ontario was its inability to move from its doctrinaire free enterprise system. It was prepared to sacrifice the Sudbury community to remain "pure".

The government's participation in this Select Committee offers yet another example of its inability to act. We find it incredible that TEIGA was unable to give this committee a rough estimate of the costs of the layoffs in terms of salaries lost, UIC benefits, costs of relocation and a whole series of other

materials which would have put the layoffs in their proper perspective. It is difficult to understand how government can make reasonable decisions in the absence of this most important information.

The government's response to the interim report of this committee was the final insult.

The Committee made the best recommendations possible for the short term in the interim report. The recommendations made prior to the layoffs would have had the effect of almost totally eliminating the layoffs while still allowing an orderly reduction of manpower. The recommendations would have meant a sharing of the costs. The employees already facing cutbacks and a shutdown this coming summer would suffer extensive downgrading and reduction of wages due to transfers and bumping as a result of the layoffs and transfers and they would further lose through acceptance of a month's program of work sharing. The governments would be involved in considerable costs through retraining which could cost in the \$10 to \$15 million range and through a no-interest loan of up to \$15 million. This would simply pay the costs of overproduction for one month and would be recoverable in the future. Considering the 340 million pounds of inventory carried by the Company, an additional 6 to 8 million pounds which has been paid for, does not deserve the arguments made by government against such actions. It is simply an excuse to do nothing.

The cost to the Company would have related to the improved early retirement incentive and early retirement. This would have cost some \$28 million—\$20 million the first year and the rest over the next five years. There could be savings against this in future due to the number taking such early retirement which might result in lower costs over a period of years, but hard information is difficult to come by. Inco had set the precedent and made the offer to its Port Colborne workers and should be obligated to offer as much to the Sudbury workers. Indeed allowing such a number of older workers to get out of the mines early, while maintaining younger workers who already have a measure of proficiency and a working lifetime ahead, would seem to promise benefits for employees and the Company. The cost to Inco of \$28 million for five years has to be weighed against payroll savings considerably more than that over a number of years and against an obligation to treat all employees equally.

These recommendations, made in good faith by a majority of the Committee, were rejected by both levels of government with haste. Indeed in such haste that they took Inco right off the hook for they did not even wait for a Company response before they said no. The Union supported the proposals almost immediately but Inco did not even have to be embarrassed by saying no.

Recommendations

The hearings clearly demonstrated the enormous power of large, multi-national resource corporations. Because of their flexibility, the corporations are able to maximize their own best interests, which are not necessarily the best interest of any particular nation. At the same time they can transfer the costs of bad management decisions or world market fluctuations to their workers and to the taxpayer.

Corresponding to this is the government's lack of ability or desire to control these industries. We, in the New Democratic Party, believe that in the long run the private sector is incapable of managing our nickel resources in the best interest of the people of Ontario. We also believe that governments are incapable of exerting sufficient control over multinational resource corporations. We support the call for diversification of the economy of the Sudbury basin, as we have for years, but to date neither the government nor the private sector has responded in any meaningful way.

The February 1978 convention of the New Democratic Party passed a resolution on calling for the development of an industrial strategy for economic development in Ontario, central to which is the public ownership of the primary resource industries. This resolution speaks directly to all of the above problems and we urge that it be accepted by the government of the day.

Until the above recommendation can be carried out, however, we urge the government to pass legislation forcing the accountability of large resource corporations. Minerals must be seen as the property of all the people—not just of the corporate entity. The resource corporations must be made to consult with the government with regard to planning and development decisions and must also be made responsible for the social costs of their decisions.

We also urge the government to heed the recommendations concerning diversification made by the Sudbury Committee. The transfer of government operations and the development of regional service centres in health and WCB, for example, are obvious moves. The extension of refining facilities and the location of parts plants will need a push by government.

New Democrats could not help but notice that the suggestion of a major mining machinery industry in Sudbury was opposed by Mr. Carter, President of Inco, even while he was extolling the principal of diversification.

There is an urgent need for the government to consider the possibilities of both metal marketing boards and provincial and federal trading corporations. The possibility of protecting Canadian markets through wider agreements may be a necessary approach in the future. The Province of Ontario must be assured that trading agreements are in the best interests of the people of this province and are not controlled totally by international corporations with no national conscience.

The establishment of an independent nickel institute in the Sudbury basin is also worthy of serious consideration.

As well, Laurentian University should be expanded to include both major studies in mining and extensive mining research facilities.

We agree with the Committee that the Government of Canada should not encourage off-shore development which is not in the long-term in the best interests of Canadian workers.

We also believe that the government should not encourage off-shore development which will do little to benefit long-term industrial development of and self-determination for the receiving country. Inco's operations will exploit Guatemala and Indonesia just as they have exploited Ontario.

APPENDIX B



Sessional Paper No. 6
Presented February 8th, 1978,
for Tabling in the 2nd Session of
the 31st Parliament 1978

SELECT COMMITTEE OF THE LEGISLATIVE ASSEMBLY

Room 110, Main Parliament Building, Queen's Park
Toronto, Ontario M7A 1A2
Telephone 965-1406

Room 440 M.B.
Parliament Buildings

February 8, 1978

Mr. Roderick Lewis, Q.C.
Clerk of the House
Legislative Assembly of the
Province of Ontario
Room 104 M.B.
Queen's Park
Toronto, Ontario

Dear Sir:


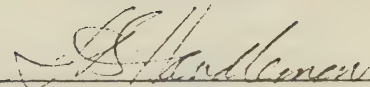
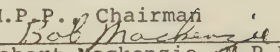
As Chairman of the Select Committee of this Honourable House, dealing with the Inco Limited and Falconbridge Nickel Mines Limited lay-offs, I submit herewith the attached interim report of the said Committee.

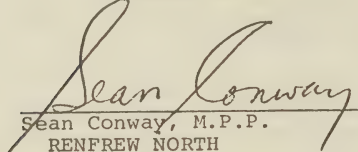
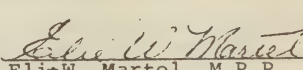
Certain of the Committee members have seen fit to add comments and observations, and same are appended hereto.


Yours sincerely,


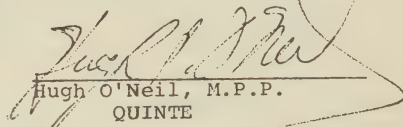
A handwritten signature in dark ink, reading "S. B. Handleman", written over a horizontal line.

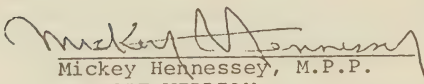

Sidney B. Handleman, M.P.P.
Chairman

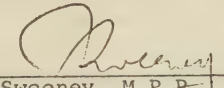
 <u>Michael Bolan, Q.C., M.P.P.</u> NIPISSING	 <u>Sidney B. Handleman, M.P.P., Chairman</u>  <u>Robert Mackenzie, M.P.P.</u> HAMILTON-EAST
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 <u>Sean Conway, M.P.P.</u> RENFREW NORTH	 <u>Eli W. Martel, M.P.P.</u> SUDBURY EAST
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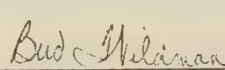
 <u>Robert Elgie, M.D., M.P.P.</u> YORK EAST	<u>Bruce McCaffrey, M.P.P.</u> ARMOURDALE
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 <u>Ray Haggerty, M.P.P.</u> ERIE	 <u>Hugh O'Neil, M.P.P.</u> QUINTE
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 <u>Mickey Hennessey, M.P.P.</u> FORT WILLIAM	 <u>Alan Pope, M.P.P.</u> COCHRANE SOUTH
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<u>*R. Douglas Kennedy, M.P.P.</u> MISSISSAUGA SOUTH	 <u>John Sweeney, M.P.P.</u> KITCHENER-WILMOT
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 <u>John Lane, M.P.P.</u> ALGOMA-MANITOULIN	<u>Gordon Walker, M.P.P.</u> LONDON SOUTH
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 <u>Floyd Laughren, M.P.P.</u> NICKEL BELT	 <u>Bud Wildman, M.P.P.</u> ALGOMA
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NOTE: The Hon. Douglas Wiseman was a member of the Committee until his appointment to the Executive Council on January 21, 1978.

*Absent from Committee Meeting February 8, 1978.

MEMBERS OF THE SELECT COMMITTEE ON THE INCO AND FALCONBRIDGE LAYOFFS

SIDNEY B. HANDLEMAN, M.P.P., Chairman	Carleton
GORDON WALKER, M.P.P., Vice-Chairman	London South
MICHAEL BOLAN, Q.C., M.P.P.	Nipissing
SEAN CONWAY, M.P.P.	Renfrew North
ROBERT ELGIE, M.D., M.P.P.	York East
RAY HAGGERTY, M.P.P.	Erie
MICKEY HENNESSEY, M.P.P.	Fort William
R. DOUGLAS KENNEDY, M.P.P.	Mississauga South
JOHN LANE, M.P.P.	Algoma-Manitoulin
FLOYD LAUGHREN, M.P.P.	Nickel Belt
ROBERT MACKENZIE, M.P.P.	Hamilton-East
ELI W. MARTEL, M.P.P.	Sudbury East
BRUCE MCCAFFREY, M.P.P.	Armourdale
HUGH O'NEIL, M.P.P.	Quinte
ALAN POPE, M.P.P.	Cochrane South
JOHN SWEENEY, M.P.P.	Kitchener-Wilmot
BUD WILDMAN, M.P.P.	Algoma
DOUGLAS WISEMAN, The Hon.	Lanark

John T. Clement, Q.C.	Counsel to the Committee
Peter C. Williams	Counsel to the Committee
Geddes M. Webster, B.Sc., B.Eng., P.Eng.	Mining Consultant to the Committee

By an Order of the Legislature dated November 10, 1977, a Select Committee was appointed "to inquire of senior officials of Inco Ltd., and its employees or their representatives, into the factors and considerations leading to the decision to announce layoffs at the Sudbury and Port Colborne Inco operations; and further to examine the future plans of the Company in relationship to the effect on the Canadian operations:

And that the Committee report back to the House at its earliest opportunity, but no later than one month from the date of the first hearing, making appropriate recommendations";

The said Order of the House was subsequently enlarged on the 13th day of December, 1977 to include Falconbridge Nickel Ltd., and the time period was extended to "not later than two months from the date of its first hearing". The first hearing of the said Committee was held on December 20, 1977.

The Inco Ltd. lay-offs are effective February 13, 1978 and affect approximately 1,800 Inco employees.

The Falconbridge Nickel Ltd., lay-offs are effective March 31, 1978 and affect approximately 750 Falconbridge employees.

Bearing in mind the urgency of the situation, this Committee deems it necessary to forthwith make certain recommendations. A further report dealing with the Falconbridge lay-offs, factors which brought about the lay-offs at both companies, the future plans of the companies in relationship to the effect on the Canadian operations and further long-term recommendations will follow:

Changes in world markets and inaccurate forecasting as to the future sales by the nickel industry generally have resulted in substantial stockpiles of nickel products being accumulated throughout the world. These accumulated stockpiles have placed severe financial strains on all producers, especially Inco and Falconbridge. These world conditions have precipitated the decisions to reduce production everywhere. This has resulted in corresponding reductions of workforces, in order to lessen the financial burdens placed on both companies. The direct negative financial impact of such massive lay-offs affecting several communities within Ontario need no elaboration at this time. The subsequent "ripple effect" on the communities adds to the problem. The total cost in Unemployment Insurance benefits, relocation costs, welfare benefits and human suffering cannot be measured, but they are nevertheless real and must be considered.

It is estimated that the 1977 nickel sales of Inco were approximately 310,000,000 pounds and those of Falconbridge were approximately 40,000,000 pounds.

It is further noted that the nickel stockpiles of Inco and Falconbridge are 340,000,000 pounds and 73,000,000 pounds respectively, as of December 31, 1977.

The normal annual rates of attrition of the labour forces at Inco and Falconbridge are 6% and 4% respectively.

The Committee has considered a number of factors which pertain to the pending lay-offs and makes the following observations and recommendations concerning same.

The Select Committee urges a moratorium on the Inco lay-offs which are to be effective February 13, 1978, for a period not to exceed 60 days.

The purpose of such a moratorium is to enable the Government of Canada, the Province of Ontario, Inco Limited, and the United Steelworkers of America to develop and to make recommendations and methods of financing a program to lessen the immediate and subsequent impact of the pending lay-offs in the Sudbury area.

The Select Committee recommends as a method of achieving this moratorium, the following:

- (1) for the first 30 days of the moratorium excess production, (being that production, which would be a direct result of not carrying out the proposed lay-offs) to be financed by interest-free loans provided by the Government of Canada and the Province of Ontario, as agreed upon by them, and
- (2) for the remaining period of the moratorium, the development and implementation by Inco and the United Steelworkers of America of a work-sharing program.

The Select Committee further recommends as a method of reducing the immediate impact of the lay-offs the following:

— an improved early retirement and severance program by Inco.

The Select Committee further recommends:

— the early introduction of a retraining program for Inco workers to be arranged and financed by The Federal Manpower Retraining program and the Ontario Ministry of Colleges and Universities.

The Select Committee recognizes that the rational development and financing of any and/or all of the above recommendations is to allow attrition, early retirements, and severances to reduce the work force in an attempt to minimize the impact on the Sudbury District of a massive lay-off with its attendant repercussions.

The Select Committee recognizes that certain legislative changes would be required under the Employment Standards Act to effect a moratorium as is herein recommended.

* * * * *

Additional Comments on The Report

As Chairman of the Select Committee, I have perceived my role as that of a servant of the Committee. Since a majority of the members of the Committee has signed the Report without reservation, I have appended my signature to it. I must, however, take this opportunity to express my serious concern about one aspect of the Report in particular.

If one accepts the fact that the current problems of Inco arise from over-production in relation to the market, I cannot conceive of any reason why anyone would endorse steps which simply compound that problem. To suggest that Inco continue to overproduce for thirty days in order to provide the time necessary to reach future accommodations is, in my view, both contradictory and unrealistic.

Every member of the Committee has subscribed to the view that it is essential for the future health of the industry that the work force in the nickel companies be reduced. I agree that time is required in order to work out the techniques whereby this reduction can be effected without the serious repercussions of mass lay-offs. I would, however, have thought that the workers in

the industry, as responsible citizens of their community, would have accepted a small share of the cost involved in acquiring the necessary sixty-day negotiating time by agreeing to a temporary work-sharing program as proposed by the representatives of the workers at Falconbridge.

The so-called "compromise recommendation of the Committee that stock-piling be undertaken for thirty days and a work-sharing program be adopted for the final thirty days of the moratorium is contrary to the position most responsible observers have taken to the effect that stock-piling, whether government or company financed, would be counter-productive to any solution to the problem facing the Committee.

SIDNEY B. HANDLEMAN
Chairman
M.P.P.—Carleton

The New Democratic Party members of the Select Committee on the Inco Layoffs have been pushing hard for sensible proposals that can achieve some lessening of the effects of the layoffs and some lessening of the layoffs in the Sudbury basin, and that can achieve a fair proportioning of the costs of such measures.

New Democrats have presented what we believe to be a rational, sensible and sound proposal to achieve the effects that we all desire. New Democrats have agreed to go along with the proposal being presented today and have made concessions in order to achieve almost unanimous agreement of this Committee to institute a moratorium so that some of the details can be worked out.

Our concessions and support are based on the Governments accepting and being willing to institute the immediate moratorium of the Inco layoffs.

(signed) ELIE W. MARTEL
BOB MACKENZIE
FLOYD LAUGHREN
BUD WILDMAN

I have signed the report of the Select Committee in recognition of the need for a forceful consensus on such a vital issue, and because the report represents the shared desire of all members for such an outcome to our deliberations.

At the same time, I wish to address myself to some of the difficulties with which we must come to grips.

One difficulty during the hearings was the lack of hard data in specific instances upon which to base recommendations. Despite the generalized appreciation of the fact that Inco had large inventories, the Committee was unable to ascertain precisely what specific products were being stockpiled, what marketing difficulties were genuine responses to soft world economic conditions and what infirmities, if any, took their source from product types that were simply inappropriate to current industrial consumption patterns. Certainly, the reluctance of Inco to present the information requested in confidence must be their responsibility to bear, even if the reason for such reluctance appeared appropriate to Inco.

In any event, I am opposed to establishing the potentially dangerous and simplistic precedent of government financing of excess private production, particularly when that production may be inferior from the standpoint of product marketing. My earnest hope is that the Committee recommendation for financing of the first thirty days of the moratorium will not become a precedent. At most, it should be viewed as the necessary expedient in the face of an urgent and extreme situation.

There must be clarity in government's approach. We must understand, on a cost-benefit basis, the true impact of such massive economic dislocations as this committee was created to investigate. It follows, then, that the more appropriate role which government should fashion for itself involves the establishment, funding and administration of an early retirement pension plan to which all governments, the companies and the workers and their unions would contribute.

Properly constructed, government's role would lessen rather than simply postpone the impact of lay-offs. And it cannot undertake that task without a decisive grasp of the financial implications attendant to the distorted consumption and spending patterns which currently disrupt the local economy and to the administration of existing and additional government programs to aid those workers affected by the lay-offs.

In closing, I wish to indicate my personal commitment to a free marketplace unhindered by excessive government intervention. Nonetheless, it was with very good cause that this Committee was charged with its important and legitimate responsibilities.

ALAN W. POPE, M.P.P.
Cochrane South

February 8, 1978

Additional Comments

The recommendations of this Committee must reflect the specific nature of the problem assigned to us. We were dealing with an impending massive lay-off in an essentially one-industry city caused by a worldwide depression in the market for a single commodity—nickel.

In signing this report, I, personally, do not intend to convey to the wider business community of Ontario or to those men and women who work therein, that this form of government intervention would be appropriate under other circumstances.

JOHN SWEENEY, M.P.P.
Kitchener-Wilmot

Additional Comments

I support this compromise Select Committee short-term interim report in principle. I would have preferred that the moratorium had been entirely achieved by implementation of a work sharing programme since this would have avoided adding to an already over-burdened national and international

stockpile (thus avoiding the effect that such an enlarged stockpile might have on the world nickel market) and it would have given the union and the workers in Sudbury a very tangible opportunity to show, in a very concrete way, that they are prepared to contribute to the efforts that are being made to find a more acceptable resolution to the problem.

It is also my view, that, if both levels of government should agree to the recommendations regarding the moratorium, the federal government should bear the largest portion of the expense involved (at least 75 percent).

ROBERT ELGIE, M.P.P.
York East

Along with my colleagues on the Committee I would wish that the Sudbury layoffs could be avoided.

I was prepared and anxious to see our findings released today in the form of an interim report. However, I am not reluctant to admit that I could not see any specific recommendations we could make today which would avoid Monday's layoffs.

I disagree with the recommendations contained in the report and hope they do not prejudice the desire of the Committee to write a full report if time permits.

The Moratorium

Such a recommendation fails to fully recognize the steps taken by the International Nickel Company during the many months of 1977 when they knowingly spent many millions of dollars to stockpile unsold nickel in the hope of a market turnaround.

Financing the Moratorium

To recommend that 30 days production be financed out of general tax revenues establishes a dangerous precedent and one that I am not prepared to make. That a commodity, which no one today would define as either scarce, or a strategic material, be purchased with public money may be misinterpreted by producers of other Canadian resources.

Work Sharing and Early Retirement

My attitude concerning the work sharing program and the improved early retirement and severance program is the same. I feel these were, and continue to be, negotiating points between the Company and the Union. They fall outside the mandate of this Select Committee.

BRUCE McCaffrey, M.P.P.
Armourdale
February 8, 1978

Additional Comments

1. I disagree with the recommendations contained in the Report, my objections being so strong that I am not prepared to sign.
2. The essence of my objection to the compromise accepted by most of the Committee members is this:
 - (a) Everyone in Canada today realizes that Canada is facing severe economic difficulties;
 - (b) If we were to point a finger at the root cause, it would be that our governments have failed to face up to economic realities when we should have; and that these governments have tried to cushion the effects of economic realities by measures such as we have recommended in this Report.
3. Recommendation #1 in essence would require Inco to continue its present production level, in fact, stockpile for a period of 30 more days.
4. Every bit of evidence indicates that the Inco stockpile at 340 million pounds or roughly 14 months inventory, is far above healthy levels (Inco feels 100 million pounds to be appropriate) and that inventory reductions make good business sense.
5. Only a reduction in the work force will accomplish a reduction in inventory of nickel.
6. To put off the layoffs (now set at 1,243 employees) on February 13th, 1978, merely extends the day when the inevitable will occur.
7. The cost of the extension would be borne by government loans interest free.
8. When government attempts to cushion the effect of economic realities (in this case these layoffs are inevitable), within the private sector, then not only does it cater to special interests but the final steps could be national bankruptcy (England comes to mind).
9. These layoffs are extremely unfortunate; however, government just cannot step in every time there is a business downturn, to forestall the event.
10. The 1,243 employees who will be laid off by Inco, February 13th, have been assured of receiving unemployment insurance benefits of up to \$150 per week for up to 51 weeks and, quite frankly, that is why U.I.C. was set up in the first place—to help people during their period of temporary displacement in the workforce. It must be kept in mind that the composite profile of the employee to be laid off is age 22½, employed 20 months and 70% are single.
11. Inco itself complied with every government notice of layoff providing 4 months advance notice pursuant to the law of Ontario. During this

period to time the layoff number of about 1,850 men was reduced to 1,243 through attrition and other job offers as of January 26th. Carrying these people for 4 months was entirely at Inco's expense.

12. It is my opinion Inco has contributed adequately to forestall the date for layoff, conforming with the law of Ontario even though layoff should have occurred long before the employees got notice, from a good business sense point of view.

GORD WALKER, M.P.P.
London South
Vice-Chairman
February 8, 1978

